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SUBJECT: ONE DEAD AS BLACKOUTS LEAD TO PROTESTS

REF: A. SANTO DOMINGO 1611
     ¶B. SANTO DOMINGO 1133

¶1. (U) Summary: Owed USD 500 million, the country's private
power generators have cut back electricity output, causing
extensive blackouts throughout the country. This situation
has incited violent protests, increased crime and caused
economic losses. With GoDR officials saying the government
lacks the funds to cover the generators' debts, sector
insiders say the problem is bound to worsen. The government
is seeking World Bank approval to divert a USD 60 million
loan intended for structural improvements to the electricity
grid to pay the generators' invoices. End Summary.

¶2. (SBU) The current debt to electricity generators continues
to grow, reaching USD 500 million at the end of October.
(Reftel A) When the government failed to pay July invoices by
the end of October, the generators severely cut back
production, asserting that they lacked the cash to purchase
fuel. Most notable was the reduction at the 300 MW AES
Andres plant; AES Dominicana canceled its December fuel
delivery and has been rationing production since mid-October.
 AES Dominicana President Marco De la Rosa told EconOff that
if they do not receive payment by the end of November, AES
will cancel the January shipment and power down AES Andres in
early January. "If that happens, it will be a national
tragedy," he said. He also noted that they will need to
replenish the coal supply at the company's 240 MW Itabo plant
before it runs out of coal on December 10.

¶3. (U) The electricity deficit averaged 40 to 50 percent of
demand for the first few days of November. To deal with
this, the three public electricity distributors operating on
the national grid, which are known as EDEs, have implemented
rolling blackouts throughout the country. In some
neighborhoods, the blackouts last as long as 20 hours per
day. On November 5, government-provided fuel oil brought the
deficit down to 15 to 20 percent, somewhat stabilizing the
situation. The blackouts have lessened slightly, but
continue.

¶4. (U) Generation company executives told EconOff that they
have met numerous times with Radhames Segura, the executive
vice president of the Dominican Corporation of State-Owned
Electricity Companies (CDEEE)) the holding company that
controls the EDEs, and once with Finance Minister Vicente
Bengoa. The message they received, said Roberto Herrera of
Compania de Electricidad de San Pedro de Macoris (CESPM), was
that the government does not have the money to pay its
current debt.

¶5. (SBU) This message is consistent with Bengoa's public
statements on the country's fiscal situation. In interviews
with the press, he has acknowledged that government revenues
have been lower than expected of late. Furthermore, he told
the industry representatives that the drop in fuel prices has
meant a drastic cut in the oil financing that the GoDR was

receiving from Venezuela through the Petrocaribe agreement
(Reftel B), Herrera and De la Rosa told EconOff. An economic
downturn could compound this situation. Perhaps even more
worrisome, however, is the possibility that one of the
generators will invoke the sovereign guarantee of its
contract, which Herrera said that CESPM's financier,
Citibank, is considering.

¶6. (U) In their meeting with Bengoa and Segura, the
generators asked the government to make a payment of USD 200
million to enable the generators to buy fuel. The pair of
officials said they could not come up with that amount of
money, but discussed a pair of possible avenues for obtaining
some funds to pay the generators, De la Rosa told EconOff.
One such manner would be for the government to transfer
budgeted funds from another area of public spending to pay
the generators. Another possibility, Bengoa told the
generators, would be to use loans that the World Bank and
Inter-American Development Bank (IDB) have provided to the
GoDR for electricity infrastructure rehabilitation to pay the
generators. Any such extraordinary use of multilateral loan
would require the approval of the lending institution. On
November 6, Hoy newspaper reported that Segura sought USD 130
million to pay the generators.

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Blackouts spur protests, close schools and incite crime
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¶7. (U) While blackouts are a daily part of life in the
Dominican Republic, the current crisis has vastly increased
their frequency and their duration. The lack of electricity
has led hundreds of small shops and businesses to close their
doors, and areas that receive potable water via electric
pumps are left without access to water. The blackouts are a
particular burden on hospitals. Schools have responded by
closing early, relying on candle and lamplight or holding
classes outdoors.

¶8. (U) The situation has led to protests in many areas of the
countries. Violent street protests erupted in the Cibao
(northern) region, as residents burned tires, blocked roads
and threw rocks. Many of these incidences led to clashes
with police, who employed the use of teargas, rubber bullets
and live fire to disperse the protesters. In Bayaguana,
Monte Plata, a police bullet killed 17-year-old Eliezer de la
Cruz, who was playing basketball near the protest, on the
night of November 5. Police contacts also told RSO that many
police stations lack the electricity to adequately operate
their communications equipment and have seen their
crime-fighting efforts hampered by the blackouts. Press
reports suggest an increase in break-ins; one newspaper
called blackouts a "thief's best friend".

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Private sector calls for comprehensive solution
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¶9. (SBU) While most public outcry has been focused on finding
an immediate solution to the current situation, business
chambers have seized on the chance to call for a
comprehensive solution for the problematic sector, noting
that electricity problems hurt the country's competitiveness
and discourage investment. The National Private Business
Council (CONEP) released a timely study led by Argentine
consultant Daniel Llarens that placed primary blame for the
crisis on the weakness of the government institutions
involved in the sector and on the rampant electricity theft,
which the study estimated consumes 35 percent of the total
electricity generated in the country. The CDEEE responded
combatively to the study, distracting attention from the
study's conclusions by focusing on its assertion that the
controversial Madrid Accords, which Segura blames for
inflating the cost of electricity when oil costs rise, are
fair. De la Rosa said he hopes that the government will use
this study (or any of the many past studies which have
reached similar conclusions) as a starting point for real
reform in the sector.

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Blackouts affecting Embassy operations and security
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¶9. (SBU) Like all institutions in the Dominican Republic, Post has been affected by the current electricity crisis. The Public Affairs Office has been forced to cease most operations early on two occasions due to power outages when its generator failed. The increased crime and civil unrest has RSO and its residential guards on heightened alert. Facilities Management has seen requests for generator fill-ups at government-leased residences increase from 10 to 12 per month to 51 in the past month. The American Citizen Services unit issued a warden message regarding the violence and danger associated with the protests.

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Comment
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¶10. (SBU) The worsening electricity situation appears far from a solution, and even a short-term fix may be hard to come by given the government's dire fiscal situation. While it is encouraging to see talk of a comprehensive long-term solution to this problem, the government's goal appears to be to reach an agreement with the generators that would do little more than prop up the status quo. End Comment.
FANNIN